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DOMINION BUREAU OF STATISTICS

BONDED DEBT AND TREASURY BILLS
OF
PROVINCIAL GOVERNMENTS
1916-1930



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PROVINCIAL GOVERNMENT BONDED AND FLOATING INDEBTEDNESS

1916-1930.

A growing interest by the people of Canada in the problems of public finance, is indicated by the large number of requests during the past year for statistics concerning national wealth, debt, and taxation.

In this connection, the Bureau of Statistics recently issued a statement showing the bonded indebtedness of municipalities by classes in 1930, together with a summary table showing the comparative growth from 1919 to 1930 inclusive. In response to a demand for similar data concerning Provincial Government debt, the Bureau now submits the present bulletin.

Table I shows the total bonded debt of the provinces for their respective fiscal years 1916 to 1930 inclusive. In the province of Ontario bonds are principally issued on a serial repayment plan, but in other cases to offset this debt, either in whole or in part, certain sinking funds are provided for from time to time, and Table II shows the total amount set aside by each province for this purpose at the close of its fiscal year in 1930.

The carrying charge of this debt involves considerable yearly expenditure out of revenue and Table III shows the interest payments by each province on its bonded debt for the fiscal year ended in 1930. Offsetting these carrying charges there is considerable revenue from interest on investments, either sinking funds or publicly owned utilities. Owing to the varied methods of accounting control it is impossible to show in detail this interest revenue but following the table is a statement of the principal items of interest revenue which each province derived from its revenue producing investments in 1930.

In addition to regularly defined bonded debt, some of the Provinces, in order to tide over temporary emergencies, have resorted to short term borrowings which are commonly known as Treasury Bills, and constitute a sort of floating debt. Table IV shows the total of these borrowings by provinces in the years 1916 to 1930.

The bonded debt of all provinces combined, amounting to \$218,875,927 in 1916, steadily increased each year to 1930 when it reached the sum of \$919,142,905. As for Treasury Bills the combined provincial borrowings amounting to \$2,000,000 in 1916 increased each year (with the exception of 1922 and 1927) until in 1930 they amounted to \$71,788,326. The combined sinking funds of all provinces for future retirement of debt amounted to \$50,505,045 in 1930.

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Viewing the total debt with its abnormal increases in a period of fifteen years, the bare figures are somewhat alarming and would lead the reader to think that provincial governments were recklessly extravagant in financial management. It should be borne in mind, however, that a considerable portion of the debt represents a revenue-producing investment, a large part of which is self-supporting, inasmuch as annual revenues paid to provincial treasuries from the operation of government owned utilities meets the carrying charges of the debt incurred, while in time, no doubt, sinking fund investments or serial plans of repayments will take care of the principal sums invested.

DIRECT REVENUE PRODUCING DEBT: Borrowings for various purposes are bulked in debt-refunding transactions from time to time, so that a minute analysis of revenue-producing debt for 1930 is not easily accessible, however, the following approximation of some principal items are indicative of the justification of a large part of the debt under discussion. Nova Scotia's bonded debt included its investment in its Power Commission \$12,000,000; New Brunswick invested in a similar public undertaking \$4,000,000; Quebec had an investment of \$8,000,000 in its Streams Commission and \$4,600,000 in Housing Loans; Ontario's net government advances in 1930 to the Ontario Hydro-Electric Commission were \$176,000,000, while the investment in the Government owned T. & N.O. Railway was \$30,000,000; Agricultural Board Investments were \$30,000,000 and Housing and Drainage Debentures \$8,000,000. Manitoba's Government-owned Telephone System accounted for \$22,000,000, while that of Saskatchewan represented \$11,000,000, and that of Alberta \$23,000,000 of bonded debt. These items alone totalled approximately \$315,000,000.

INDIRECT REVENUE PRODUCING DEBT: The debenture debt incurred on account of highways in the various provinces, mainly contracted for improving the highways for motor traffic was, on December 31, 1930, as follows:-

Prince Edward Island	\$	1,300,000
Nova Scotia		20,828,870
New Brunswick		20,516,450
Quebec		36,227,000
Ontario		147,118,627 (1)
Manitoba		13,839,833
Saskatchewan		28,645,587 (2)
Alberta		24,793,356 (3)
British Columbia		33,389,255
TOTAL		326,658,978

In the same year the total provincial revenue derived from the taxation of the distribution and operation of motor vehicles was \$42,821,508, a figure fairly well covering interest on the above amount and upkeep.

Highway construction, which is responsible for a considerable portion of bonded debt, has brought indirectly to the people considerable revenue as it is estimated that the motor tourist expenditure for 1930 was over \$200,000,000. Railways, good roads and drainage systems have also made accessible rich natural resources hitherto lying dormant, as well as opening up new territory for settlement and development.

- (1) Total Investment 1919-1930.
- (2) Year ended April 30, 1930.
- (3) Assets March 31, 1930 (highways, bridges, ferries.)

NON-REVENUE PRODUCING DEBT:- Analysis of the non-revenue producing portion of debt, shows that during the period under review there have been many changes in economic and social conditions and in the ideas of the people with regard to proper objects of Government expenditure. The aftermath of the great war with its consequent periods of inflation and depression added very materially to the uncontrollable charges upon public treasuries. The completion of undertakings interrupted by war conditions, the extension of social welfare and the popular demand in later years for provincial government assistance to better the educational status of the people have also exacted a heavy increase in yearly expenditures necessitating the flotation of bonds and debentures.

Increase in population has also required augmented services, such as public works, expansion of hospitalization for the sick and mentally afflicted, institutions and money grants to care for the indigent and poor, while the urge for the betterment of social conditions has resulted in the inauguration of relief measures such as patriotic expenditures for war veterans, Mothers and Deserted Wives Allowances, Old Age Pensions, and the extension of the child welfare movement.

There is still another feature to be considered in explanation of the debt. It is that of provincial governments in recent years adopting policies of assistance to agriculturalists in the establishment of Farm Loan and Development Boards, Rural Credit Loans, Seed Grain Advances, Co-operative Creamery and Elevator services.

Ordinary provincial revenues could not possibly have met the cost of the above-mentioned public undertakings, out of ordinary revenue. Consequently bonds, debentures, and registered stock were floated, to raise the first cost of such presumably re-productive expenditures.

TABLE I.

Bonded Debt of Provincial Governments by Provinces for the years 1916 to 1930.

Bonded Debt.

Year	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia		Total
									\$	\$	
1916	733,000	13,443,087	9,100,647	38,346,128	52,411,401	30,396,274	24,292,044	29,000,200	21,153,146	21,153,146	218,875,927
1917	733,000	13,362,707	15,809,856	39,462,996	55,301,501	31,196,870	25,439,187	30,595,200	23,153,146	23,153,146	235,054,463
1918	733,000	14,490,813	17,163,089	39,827,770	66,526,501	33,890,870	28,019,387	31,500,200	23,071,936	23,071,936	255,223,566
1919	733,000	14,614,893	18,585,760	39,706,614	81,026,501	36,897,870	29,963,410	34,635,200	27,571,936	27,571,936	283,735,184
1920	733,000	17,202,647	20,683,236	40,708,114	109,186,900	49,700,870	35,237,170	41,989,900	34,071,936	34,071,936	349,513,773
1921	858,000	20,678,267	23,573,432	51,652,113	184,693,420	61,929,870	41,785,436	59,010,257	46,511,436	46,511,436	490,692,231
1922	1,033,000	24,608,347	26,628,432	55,604,926	222,361,338	66,331,121	49,685,476	67,373,279	61,851,436	61,851,436	575,477,355
1923	1,183,000	27,134,507	28,583,932	60,605,226	255,587,757	67,914,095	52,807,876	78,522,279	65,851,436	65,851,436	638,190,108
1924	1,683,000	31,458,640	30,737,909	75,605,226	292,845,257	69,637,095	52,492,956	78,594,760	68,851,436	68,851,436	701,906,279
1925	1,833,000	36,000,928	32,345,909	81,944,926	277,045,257	66,658,595	50,493,376	81,459,407	76,443,736	76,443,736	704,225,134
1926	1,875,000	35,986,324	35,325,909	78,004,926	280,559,094	64,433,595	54,114,176	86,894,666	71,485,736	71,485,736	708,677,426
1927	1,933,000	40,708,457	36,554,409	79,212,226	293,365,994	67,293,828	56,944,576	90,890,458	75,485,736	75,485,736	742,388,684
1928	2,185,000	34,824,713	37,845,303	80,731,877	322,365,844	69,822,828	58,309,256	90,899,816	72,275,736	72,275,736	769,260,373
1929	2,109,000	46,395,847	34,780,603	80,334,792	350,563,844	71,465,161	58,275,776	96,532,443	77,482,736	77,482,736	817,940,202
1930	2,329,000	55,483,480	41,211,696	76,735,292	398,821,344	76,641,161	73,667,316	106,888,380	87,365,236	87,365,236	919,142,905

TABLE II

PROVINCIAL DEBT ACCOUNTS

SINKING FUNDS BY PROVINCES, 1930.

Province	Fiscal Year Ended	Amount
		\$
Prince Edward Island	Dec. 31	568,225.34
Nova Scotia	Sept. 30	3,545,793.43
New Brunswick	Oct. 31	4,808,015.41
Quebec	June 30	8,570,154.36
Ontario	Oct. 31	(a) 2,805,897.02
Manitoba	April 30	2,761,046.85
Saskatchewan	April 30	4,252,106.57
Alberta	March 31	4,482,082.19
British Columbia	March 31	18,711,723.51
Total all Provinces		50,505,044.68

a) Hydro Electric Sinking Fund \$1,751,000 not included.

TABLE III

EXPENDITURE FOR INTEREST ON BONDED AND DEBENTURE DEBT BY PROVINCES

FOR THE YEAR 1930.

Province	Fiscal Year Ended	Amount
		\$
Prince Edward Island	Dec. 31	(a) 148,137.90
Nova Scotia	Sept. 30	(b) 1,940,148.46
New Brunswick	Oct. 31	2,013,889.00
Quebec	June 30	2,731,385.66
Ontario	Oct. 31	18,467,854.40
Manitoba	April 30	3,932,058.42
Saskatchewan	April 30	2,476,510.83
Alberta	March 31	3,654,063.38
British Columbia	March 31	4,011,920.24
Total all Provinces		39,375,968.29

a) Including Interest on Loans and to Banks, not separable.

b) In addition \$603,163.18 interest was received from N. S. Power Commission against funded debt interest. This includes interest on Treasury Bills, not separable.

Charges shown in Table 3 are largely offset by interest from investments as follows: Prince Edward Island's interest from sinking fund investments was \$24,465. Nova Scotia received from railway bond investments \$155,645, while the Power Commission paid out of its earnings \$603,163 interest charges on advances by the Government. In addition Nova Scotia had other sinking fund investments amounting to \$4,263,352. Interest revenues are added to the sinking fund principal at the end of each year. New Brunswick received \$177,063 from sinking fund investments which was added to sinking fund principal, while the Power Commission also expended \$216,630 on interest charges for its bonded debt. Quebec's interest on investments and sinking funds amounted to \$732,344, while municipalities in connection with the Good Roads Act paid the treasury \$565,715. Ontario received in interest from its investments in the Agricultural Development Board \$1,057,993; from the T. and N.O. Railway \$850,000; from Drainage Debentures \$111,290 and from Housing Loans \$251,646. In addition the Hydro Electric Commission paid \$8,772,290 interest charges on its bonds financed by the Provincial Government. Manitoba's interest revenue from Telephones was \$980,730, from Judicial Debentures \$71,482, and from Drainage Districts \$279,321. In Saskatchewan the interest revenue derived from Telephones was \$544,802, from Pool Elevators \$82,168, from Co-operative Creameries \$49,684, from its Power Commission \$35,968, and from the Farm Loan Board \$476,132. Alberta received for interest on Investments \$425,727, on Debentures \$36,291, on loans to Elevators \$32,945, on advances to Telephone \$16,562, from Liquor Board \$25,000, other miscellaneous interest on advances \$119,303. In addition the Telephone Commission out of its earnings paid \$1,266,601 interest on its share of Government Bonded Debt. British Columbia's ordinary revenue shows that \$19,083 was received as interest from Dyking Adjustment Assessment Act, and other Miscellaneous interest amounted to \$377,783. There is also an annual interest derived from Sinking Fund Investments, which in 1930 amounted to \$757,815.

The total interest revenue from these principal items of investment alone, amounted to \$19,115,564, as against the total expenditure on interest charges for bonded debt of \$39,375,968.

TREASURY BILLS OUTSTANDING IN EACH PROVINCE AT THE END OF THEIR RESPECTIVE FISCAL YEARS

1916-1930

Year	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba ^x	Saskatchewan	Alberta	British Columbia	Total Provinces Allowances
1916	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000
1917	-	-	-	-	2,000,000	800,000	450,000	-	500,000	3,750,000
1918	-	-	-	-	4,500,000	2,425,000	590,000	-	1,550,000	9,065,000
1919	-	-	-	-	11,500,000	4,643,000	1,457,500	-	2,810,000	20,410,500
1920	-	-	-	-	15,000,000	4,769,000	1,500,000	-	2,670,000	23,939,000
1921	-	-	-	-	16,000,000	2,238,188	3,241,753	-	7,524,600	29,004,541
1922	-	-	-	-	13,000,000	2,695,515	920,000	-	1,703,000	18,318,515
1923	-	-	-	-	24,000,000	4,605,160	1,852,918	-	3,103,000	33,561,078
1924	-	-	-	-	22,000,000	7,798,208	4,294,546	-	4,479,141	38,571,895
1925	-	-	-	-	33,000,000	9,273,208	7,142,245	-	3,754,062	53,169,515
1926	-	2,500,000	-	-	48,000,000	11,594,208	3,441,239	-	5,114,520	70,649,967
1927	-	1,000,000	-	-	42,940,000	9,846,208	616,700	-	2,246,176	56,649,084
1928	-	8,932,400	-	-	40,173,333	9,967,832	453,785	-	10,178,300	69,705,650
1929	-	3,677,000	4,745,000	-	40,940,000	13,249,183	4,599,272	-	10,183,069	77,393,524
1930	-	1,500,000	4,745,000	-	38,940,000	13,810,610	1,093,021	-	11,689,694	71,778,325

^x From 1923 to 1930 Exchequer bonds are also included in Treasury Bills for Manitoba.

